

Educational; regional computer network. An otherwise exempt organization of exempt colleges and universities that devises, operates, and provides the organizational structure for a regional network of member owned or leased computers to collect and disseminate scientific and educational information to exempt members' faculties and students is operated exclusively for charitable purposes and exempt under section 501(c)(3) of the Code.

The Internal Revenue Service has been asked whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable purposes.

The organization was created and is controlled by the colleges and universities in a particular geographical region, each of which has been recognized as exempt from Federal income tax under section 501(c)(3) of the Code.

The purposes and activities of the organization are to devise, operate, and provide the organizational structure for a regional computer network to enable member educational institutions, including faculties and students, to benefit from research and scientific information developed by other member institutions and the Federal government. Any member-user can utilize any of several computers owned (or leased) by member-suppliers, for the collection and dissemination of scientific and educational information in connection with the educational and research programs of the member-user's faculty and students.

The organization does not own, nor does it plan to own, any computers. It conducts an information clearing house responsive to the curriculum and research needs of member-users. It informs each member institution of the educational data and computer time available on the equipment of member suppliers. The organization's employees also visit the campuses of member suppliers to determine available resources, and also the campuses of member users keeping them advised of new educational data and to keep aware of their curriculum needs.

The computer network is not used for administrative matters such as class scheduling, billing, or processing applications. The equipment, through which the network functions, is not designed to accommodate the high speed batch programs characteristic of administrative data processing.

The organization also maintains a staff to conduct research into the technical and managerial problems which arise from the operation of a regional computer network and to devise solutions to those problems and to disseminate the results of its research.

The results of this research are made available not only to members but also to the general public.

The organization is supported by governmental grants, contributions, and membership dues. In addition the organization acts as a conduit with respect to amounts paid by member-users of the equipment to member suppliers, retaining only a small part to defray its expenses in connection with this activity.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense, which includes advancement of education.

By providing a coordinated program which enables the member institutions, including faculty and students, to benefit from the research and scientific projects developed by the various institutions and the organizations, the organization is advancing education.

Accordingly, the organization is operated exclusively for charitable purposes and, since it otherwise qualifies, is exempt from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business of the organization. See section 1.501(a)-1 of the regulations.